

3 October 1979

MEMORANDUM FOR: Director of Economic Research
Special Assistant to the DCI

FROM: Director of Central Intelligence

SUBJECT: DCI Address to Alliance to Save Energy

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1. Senator Percy phoned me last night on behalf of himself and Senator Cranston. They are chairman and co-chairman of the Alliance to Save Energy. You will recall that we briefed the board of directors of that group out here about a year and a half ago. He asked me to give a dinner banquet speech for their annual meeting on the 17th of October in the Music Room at Dumbarton Oaks. I agreed.

2. I said I would talk for about 20 minutes and then take questions. I asked if I could bring two people from OER along with me to help respond to the questions. A few people from the oil industry will be there who might have technical questions, though the majority of the 150-200 expected at the dinner are business leaders who contribute to the Alliance's funding.

3. I asked the Senator what he would like me to talk about. He suggested the prospect for Soviet production of oil and the overall prospect for energy. I have something like the following in mind:

a. A description of the 1977 study--a simple chart that shows our best estimate in 1977 at when demand and supply lines will cross. (The Senator said there are facilities in the Music Room for slide projections.)

b. A description of the range of uncertainties both as to consumption and supply. Along with this, we would modify the chart to show each of the two lines not as a line but as a cone of uncertainty. This would reveal that there was a span from perhaps 1980-1988 in our estimate of when the lines would in fact cross.

MORI/CDF

c. Discussion of trends since then.

(1) The Soviet case--a simple explanation of the Soviet case with particular emphasis on the fact that we're not talking about their reserves; we're talking about what they can exploit in the near term. There will be some discussion of how long it takes to bring new fields on line once they are discovered. This discussion would end then with a comparison of our view today on the Soviet role in the world market with what it was in 1977.

(2) Discussion of the other principal changes in productive capacity, especially the Saudi reduction from 15 million barrels a day to perhaps 11 at the outside.

(3) Also, a very broad discussion of the overall trends elsewhere in the world except for Iran, highlighting that the North Sea, Mexico, and Alaska are no panacea.

d. A discussion of Iran to the effect that it caused at least a psychological crisis when production dropped to zero; that the present rate of production is perhaps 2 million barrels below what it was and that this does have some impact but that it's partly offset by Saudi and other increases; that the real lesson of Iran is that any perturbation of even several million barrels a day due to natural disasters, revolutions, deliberate willfulness (Libya?) has the world at hostage.

e. We would then take up the 1979 study by means of using the chart with the two cones on it that intersected from 1980-1988. Instead, we would show how each cone was reduced in width by our present estimate but on the downward side so that the range of spread is now perhaps 1980-1983(?).

f. This would then leave us the opportunity to wind up by saying that we have a problem; the exact time when it will be critical is unclear, but it will be sooner rather than later; that increased production is not a solution between now and 1985; that synthetics is not a solution between now and 1985; and that leaves the Alliance to Save Energy as the only solution.

g. It seems to me we could end with a bar chart that showed that in the 1970s the world will have consumed 200 billion barrels of oil and discovered only another 100 billion barrels of oil. We might possibly throw on a third bar that would show what the total world oil reserves are estimated to be, making it clear that at 100 billion barrels a decade you can only go a few more decades before we are in trouble.

4. Senator Percy asked me to send him the names and a little background on the two people from OER who would be coming with me to answer questions. He didn't know the precise time. Further, I'd assume that my wife will come to the dinner, but we didn't talk about that. Perhaps [redacted] can firm that up.

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5. This conference is jointly sponsored by the Alliance to Save Energy and Harvard University. The Senator mentioned [redacted] in that connection, though I don't know whether he is actually coming to the dinner.

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STANSFIELD TURNER

cc: DDNFA
Legislative Counsel
CAR/NFAC
SA/DCI [redacted]
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